

FY 21 Budget Overview

Gov. Gina M. Raimondo

Presentation to Board of Education

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Agenda



Economic Overview



From \$200M Deficit to a Balanced Budget



RI Pre-K Expansion



K-12 and Higher Education Investments



Investments on Behalf of Rhode Island Workers



Q&A

A Strong Rebound

Economic Overview

The state's economy has been expanding at a rapid pace for the past several quarters

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Unemployment rate hit a **30-year low of 3.5%**

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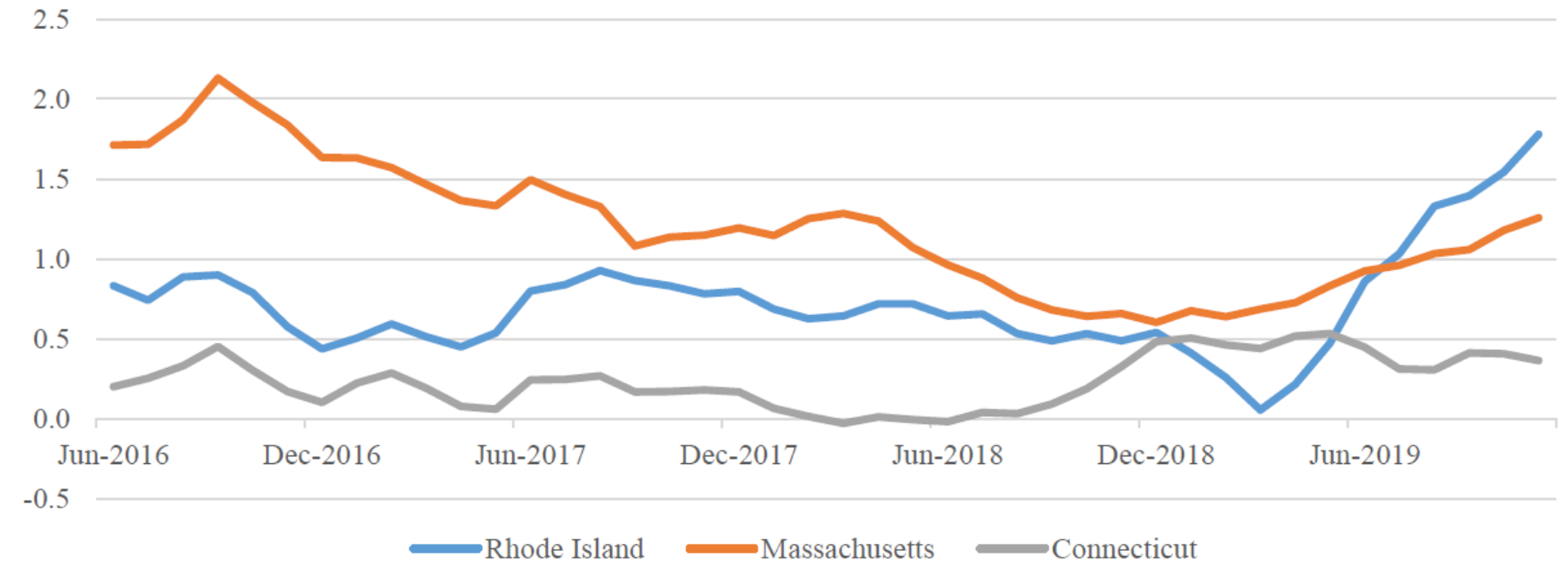
It also marked an **all-time high for # of jobs based in RI** at more than 500,000

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Over the past year, personal income has grown by 4.6%, **higher than the national average**. Wage and income growth are expected to continue increasing at a robust pace in FY 2020 and FY 2021

Chart 1: Recent RI Growth Outpacing Neighbors

Employment Growth, Percent



Source: Federal Reserve Economic Data / BLS

From \$200M Deficit to a Balanced Budget

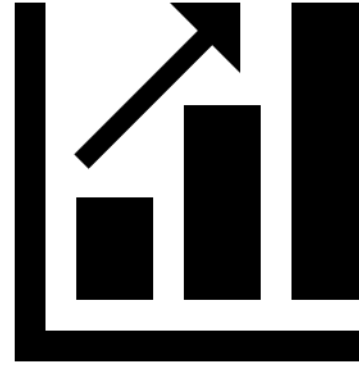
Deficit is largely driven by significant increases in local aid (e.g., car tax phaseout reimbursement and K-12 funding formula, caseload increases in certain HHS agencies, and operating deficits in DCYF and Vets.

FY 21 Recommended	Amount (in millions)
Current Services Projected Deficit	\$(208.1)
Nov Revenue Estimating Conference	\$9.4
Nov Caseload Estimating Conference	\$28.4
FY 20 Carry Forward	\$24.8
Revised Projected Deficit	\$(145.5)
Expenditure Changes	\$37.1
Revenue Changes	\$109.3
Projected Surplus	\$0.9

Local Aid

Net Increase of Total Local Aid: \$48.7M

- Reduces distressed communities aid to **\$6.2M** due to an accelerated rise in economic activity.
- Proposes non-mission, non-profit property tax option.
- Extends the car tax phase-out schedule by 5 years. Every taxpayer in every community will see car tax relief in each year of the phase-out.



The Compound Annual Growth Rate for local aid has increased by

5.1% since 2014



Cities and towns will see **\$10.4M** more in car tax relief



Fully funds Year 10 of the education aid funding formula with a year-over year increase of \$34.8M

How is the
deficit
resolved for
FY 2021?

Highlights

Revenue Changes

\$103.3

Tobacco and Alcohol Tax Changes

\$11.2

Sales Tax Modifications to align with Other States

\$14.1

Adult-Use Marijuana

\$21.8

1% Increase on State Hotel Tax

\$4.7

US Treasury Reciprocal Program

\$5

Workplace Tax Compliance/Misclassification

\$3.8

Various Fees and Other Revenues

\$4.6

Transfers of Public Funds

\$38.1



\$4.5M GR / \$7.5M AF in RI Pre-K Expansion

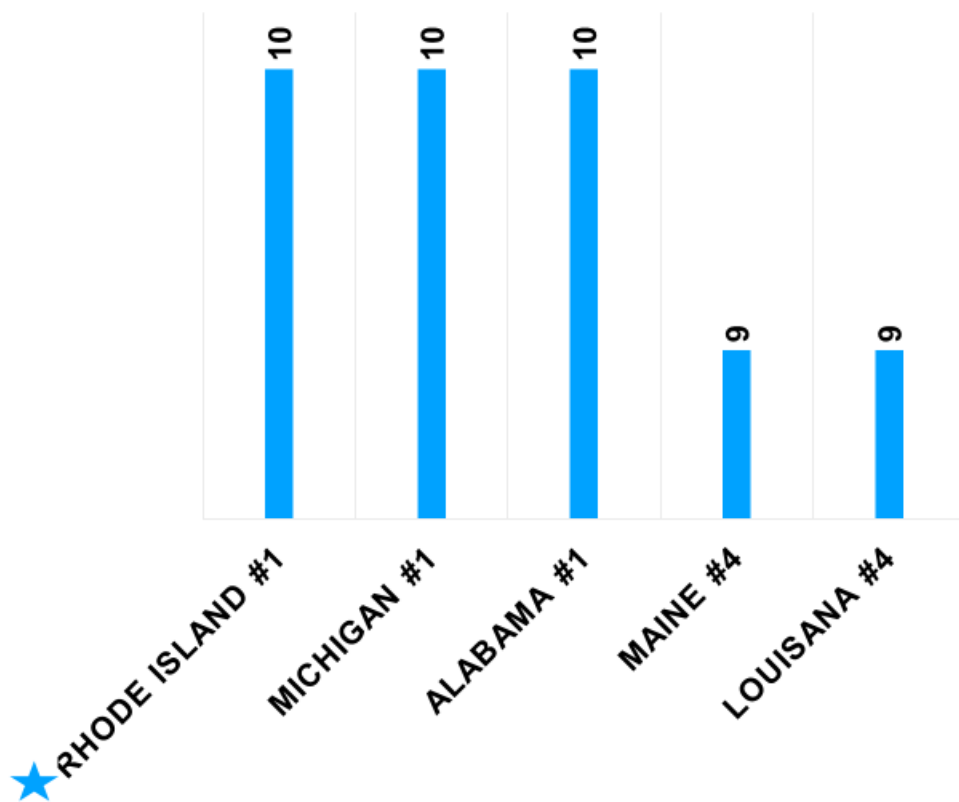


National Comparison by NIEER

(National Institute of Early Education Research)

RI is ranked #1 in **quality**!

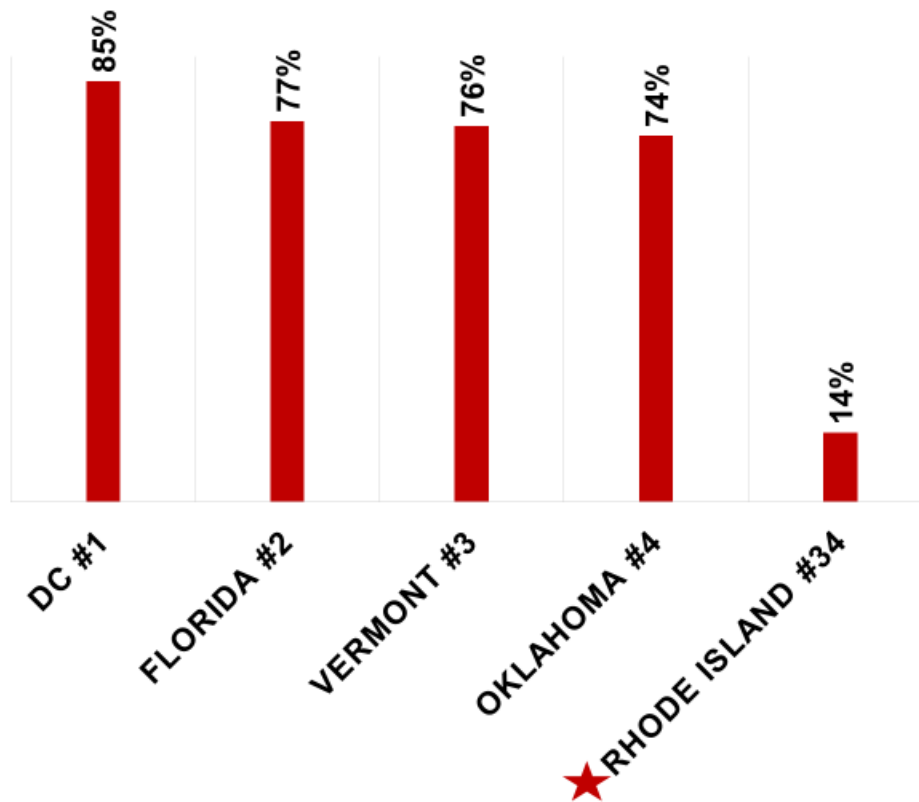
OF QUALITY STANDARDS SATISFIED



But is ranked #34 in **access**

Too many of our children are falling behind even before they start school.

% OF 4-YEAR-OLDS IN STATE PRE-K



Benefits of High-Quality Pre-K

Few state policies yield as overwhelming and obvious a return on invest as high-quality Pre-K:

- Early childhood is a foundational time for brain development, and high-quality Pre-K is crucial for building that foundation to promote lifelong success.
- More than 50 years of research has demonstrated that high-quality Pre-K has lasting academic advantages for ALL young children, including persistent boosts in social-emotional skills.
- The largest benefits go to those facing the toughest challenges, including MLLs, children with disabilities, and children living in poverty.
- Attending high-quality Pre-K is the greatest predictor of 3rd grade reading proficiency.

High-quality Pre-K returns **up to \$17**
for every dollar invested

LESS need for
special education
services



GREATER high
school graduation
rates



HIGHER career
earnings



LOWER adult
incarceration rate



Governor Raimondo's Vision: Achieve Universal Pre-K through expansion that is high-quality, equitable and cost-sustainable

OUTCOME

- **Double** 3rd grade reading proficiency by 2025

OUTPUT

- **Expand** access to high-quality pre-k by adding seats until we achieve universal (7,000 seats)

OBJECTIVES

- **Maintain** high-quality
- **Employ** a mixed-delivery model of classrooms, child care centers, and Head Start centers
- **Enhance** the birth to 5-year-old system

FUTURE STATE: 2020-21

CURRENT TOTAL SEATS

1420

PDG B-5 RENEWAL GRANT \$3M Federal Funds

+300

FY21 Governor's Proposed Budget \$4.5M

+450

2170 TOTAL PROPOSED SEATS

**More than 50% increase in
seats over last year!**

Funding Efficiencies & Sustainability

We recognize the need to identify sustainable funding strategies to ensure lasting expansion of RI Pre-K. We are already implementing **3 strategies**:

BLENDING HEAD START FUNDING

- This year we started blending federal Head Start funding with state pre-k funding
- 18 RI Pre-K classrooms are using this model
- This strategy allowed us to add 117 federally funded seats to RI Pre-K in 2019-20

LEVERAGING FEDERAL FUNDING

- Our state agencies have collaborated to submit several successful competitive grant awards including:
 - \$4.2M PDG B-5 planning grant
 - \$27M PDG Renewal Grant
- These grants are allowing us to add more seats as well as staff support and infrastructure

UTILIZING THE FUNDING FORMULA FOR LEA PRE-K

- We plan to add the current 358 RI Pre-K seats in public schools to the funding formula
- The first year of every LEA-based RI Pre-K classroom will be 100% state funded
- Inclusion in the funding formula is voluntary; districts opt-in
- This will ensure seats are sustainably funded with both state and local funding

K-12 Education Investments



Fully funds education aid funding formula at
\$34.8M



Adds **\$2.5M** for a total of **\$7.5M** to support
Multilingual Learners Categorical



\$600,000 to fund PD for teachers to support
classroom-based **mental health** interventions



\$1.5M expansion of SRO categorical to incentivize
hiring of additional mental health professionals



\$200,000 in additional funding to support growth
of **Advanced Course Network (ACN)**

Additional K-12 Education Investments



\$1.2M in additional funding to expand RIDE's capacity to work with struggling schools and implement the curriculum and school accountability legislation from last session, as well as a PrepareRI FTE and two School Construction FTEs.



Expands the **Stay Invested in RI Wavemaker Fellowship** to STEM teachers. This program incentivizes graduates to stay in RI and work in STEM-related fields by offering tax credits that defray the costs of student loans.



Additional **\$500K** in **Central Falls** funding in FY20 supplemental budget.

Eliminates the Sunset on RI Promise



Rhode Island Promise: A Proven Success

*Increasing access to a quality college education
to prepare a workforce for today and tomorrow*



Preparing Many More Rhode Islanders for Successful Futures

- Increased the college going rate in Rhode Island by **8%**
- **Tripled** two-year graduation rate, **40% above national average**
- **Accelerated time to graduation** and entry into the workforce

Did You Know?

CCRI was just named
the best two-year
college in America
by *Education Dive*



In addition to GO Bond questions, the Governor recommends a ballot question to adopt Line Item Veto effective January 2023

Ballot Initiatives: **\$268.8M**



Higher Ed Bond: **\$117.3M**

- University of Rhode Island Fine Arts Center – \$53.7M
- Rhode Island College Science and Technology Renovation – \$38M
- CCRI Academic and Student Support Services – \$12M
- Center for Ocean Innovation – \$10M



Housing and Infrastructure Bond: **\$87.5M**

- Affordable Housing – \$25M
- Industrial Site Development – \$21.5M
- Arts and Historic Infrastructure – \$6M
- Early Learning Facilities - \$15M
- Quonset Pier – \$20M



Beach, Clean Water, and Green Bond: **\$64M**

- State Beaches and Parks – \$35M
- Natural and Working Lands – \$3M
- Clean and Drinking Water – \$15M
- Local Recreation Grants – \$4M
- Municipal Resiliency – \$7M

Capital (RICAP) Investment Highlights

Additional CCRI Investments – \$28M

In addition to the higher ed bond, modernizes education facilities, replaces outdated technology, and provides energy-efficient equipment at all four campuses.

FY21 Higher Ed Asset Protection

URI (\$8.5M), RIC (\$4.2M) and CCRI (\$2.5M)

RIC Infrastructure Modernization - \$3.5M (FY21)

Higher Ed Center in Northern RI – \$4M

Replication of the successful Westerly Education Center in Woonsocket.

Davies Health Careers Program Space – \$5M

Renovation and modernization of healthcare classrooms (located in the oldest part of the school building).

Additional Higher Ed Investments



Tuition Increases as approved by the Council



Current Service Level Adjustments - \$1.6M



Dual and Concurrent Enrollment - \$3.2M



Childcare for Higher Education Students - \$200K

RI is 1 of only 3 states that does not allow low-income college students to receive childcare assistance.

Supporting RI's Workers

\$14.1M to fully fund **Real Jobs RI**

Raises **minimum wage** \$10.50 per hour to \$11.50 per hour, setting RI on a path to remain competitive with neighbors

Increases the State **Earned Income Tax Credit (EITC)** from 15% to 20% at 1% per year

Expand Housing Opportunities



Increase availability of affordable housing

Via redevelopment and/or new construction



Create a permanent funding stream to expand housing production

By adding a tier to the real estate conveyance tax



Streamline and modernize the State's two-decades-old housing organizational structures

To improve coordination of policy, planning and financing

Permanent Funding Stream	
Tax Rate for First \$500,000 for All Properties	Tax Rate for Portion of Property Values above \$500,000
0.46%*	0.92%

*Current real estate conveyance tax rate for all properties

Questions?

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